

THE FINANCIAL EDUCATION
OF
NAVAL LINE OFFICERS

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INTRODUCTION

It is the intent of this paper to evaluate the state of education of the evolving Line Officer in the Naval Service as specifically regards his knowledge of financial matters relating to command responsibility. It is further the purpose of this paper to offer recommendations to enhance the education of Line Officers at appropriate points of their careers.

The author has been involved in the Naval Post Graduate Program as an instructor of Line Officers, a three year period commencing in January, 1948. Further, the writer is a Line Officer and a graduate of the United States Naval Academy who has experienced extensive service at sea.

Post Graduate instruction at George Washington University has given the writer the opportunity to reconcile the actuality of fiscal policy and the intricacies of its administration as related to the responsibility of operating authorities epitomized by Line Officers in Command billets. One dominant fact motivated the selection of this subject, the apparent lack of any planned preparation of the Line Officer for the financial responsibility which will be his in important administrative and Command positions.

This statement is made with the full understanding that the complex duties of career leaders within the Military Services cannot be spelled out in some master check off list and integrated with each personality on an efficient assembly line. Education is not an assembly line operation; it is growth, by guidance both from external and internal sources. It is self-evaluation in seeking maturity along a chosen environmental path.

The need for education to financial responsibility of our Naval leadership is greater than ever before in our history. Financial awareness and control, as such, has been firmly handed to the Military to be implemented,

not by sudden and inspired upheavals, but by an evolutionary process, of which this is a small part.

CHAPTER I

FINANCIAL RESPONSIBILITY OF THE LINE OFFICER

In the modern world of management which embraces both industry and governmental functions, the specialist has reached a new plane of importance. The complexity of organization and the increasing technical detail in all fields makes it necessary that specialists be available who know their individual fields thoroughly in order to represent them to operating management. Conversely, the problem of training line management becomes more difficult in that a choice must be made regarding background and training, which has no exact answer. Should the Line Executive evolve from a specialist background, or should he receive training and acquire experience in all major fields? In industry this subject has been studied extensively and the results applied with varying degrees of success.¹ This paper is a study concerning the Naval Line Officer and identifies his need for specialized knowledge in the field of Financial Responsibility. The Line Officer in the Navy is a generalist, as opposed to the Specialist, and carries with this status the almost impossible responsibility to acquire a real working knowledge of all specialties which may come under his cognizance at the various phases of his career. The Line Officer from his original commissioning is in training for Command and the entailed use of authority commensurate with the responsibility. In this paper, only the financial aspect of responsibility is considered; however, the broad fields of Leadership, Welfare, Decision in Combat, and related fields cannot be wholly excluded.

Navy Regulations specifically assigns to the Commanding Officer the responsibility for all government property within his command. In keeping with this, it is necessary that strict accountability is maintained of all

¹ Staff article, "Bringing up the Boss", FORTUNE, (June, 1951).

equipment and stores. This is a business type operation under the supervision of a specialist responsible to Command, the Supply Officer, who acts in accordance with procedures established by the Bureau of Supplies and Accounts. The accountability is made of all disbursed funds through the function of the Disbursing Officer. It is also to be noted that in a ship or station not having an officer of the Supply Corps designated as the Disbursing Officer, a Line Officer may be designated for the duty. This point is of more than passing interest, for it is an example showing an area where a junior Line Officer is required to perform a specialized function in fiscal work entailing all the technical accounting and maintaining of records normally done by a specialist with formal training for the work. Seldom does the designated Line Officer have any formal training in this field, and therefore must prepare himself by study and research for this function assigned as a collateral duty.

An operating ship is supported by an operating allotment from the Type Commander. For example; a cruiser in the Pacific Area is supported by Commander Cruisers Destroyers Pacific, commonly referred to as ComCruDesPac in Navy jargon. This allotment may be thought of as a housekeeping fund, including maintenance. It is in this field that rather severe comparisons between ships, and therefore Commanding Officers can be made. It is entirely possible that the Commanding Officer who is most conscious of his financial responsibilities can obtain, to his credit, the most far reaching and efficient results from the funds at hand.

A ship is further supported by technical bureaus; i.e. BuShips, BuOrd, in the area of spare parts, ammunition and fuel oil. As usage is a correlary of operating efficiency, it is the record of necessary replacement that

provides comparative data for the analysis of a ship's operation relative to others and becomes a part of the reputation of the Command.

Aside from the external support and accountability discussed in the preceeding paragraphs, there are many financial matters internal to the operation of a ship or station which are no less important in the efficient exercise of Command. These items may be of smaller money value, but the necessity of control within the bounds of Command policy is ever present. Through the use of committees and audit boards, the Commanding Officer controls and approves the activities of the Welfare Fund, the Wardroom Mess, the Warrant Officer's Mess, the Chief Petty Officer's Mess, Ship's Store Activities, and many others. These activities require exact and ever present control and may be considered 'danger areas' that may threaten as the result of any untidy handling. In the final analysis every financial activity mentioned in this chapter is the responsibility of the Commanding Officer and their proper handling is one of the many severe requirements for a continued successful career within the Line. One additional function in the financial area which must be handled with the greatest discretion and nicety of judgement is that of the survey of government equipage. This entails the explanation for loss or damage of government property together with the determination of responsibility for loss and the resultant action. Approval of such action is always over the signature of the Commanding Officer.

This brief review of a Commanding Officer's financial cognizance covers a most comprehensive field, however, even these duties are of limited scope when compared with the possible related fields into which a Line Officer may go within the Naval bureaucracy ashore. A Line Officer may find himself

a bureau contracting officer, a budget officer, an auditor, an inspector, or a comptroller, each with numerous subdivided financial functions. It is well to mention that many of the aspects of management with which a Line Officer may be associated, irrevocably overlap the financial area and require a thorough understanding of both.

From an extension of the preceding data, sufficient functions within the financial area are generated, such that an outsider might be persuaded that a Line Officer is a financial specialist. Such, however, is not the case. It can be demonstrated that a knowledge of financial responsibility and its implementation is merely one of several powerful tools of management used by the Line Officer in the exercise of Command authority.

The financial specialist is necessary to aid Command in many fields and specialized functions, but this does not replace the understanding of the Line Commander himself. Often the Line Officer must act as a financial specialist as a portion of his own training for higher command. As an example, there is the present program implementing Line Officer comptrollers in many of the operating Naval Establishments.

The complete scope of the financial functions and responsibilities of the Line Officer are so great that this chapter can only delineate the broad lines along which they exist. Since these responsibilities go with the authority of the Line Officer, they represent the accountability to the control of higher authority over the Military Branches.

CHAPTER II

PRESENT LINE OFFICER FINANCIAL EDUCATION

The previous chapter has presented the broad scope of Line Officer financial functions and responsibility. It remains to demonstrate how the Naval Line Officer acquires the requisite knowledge in financial matters to carry out the duties to which he may be assigned.

In the opinion of the writer, it is a characteristic of most Naval education to inundate the student with a great mass of material, beyond his threshold of interest. This method is possibly a requisite of pressure and/or limitations imposed by existing facilities and time available. This system epitomized by a Naval Academy education, provides for the young Line Officer a tool or method most necessary in his operations throughout his career. The Midshipman cannot be taught all he will need to know as an Officer, indeed the sum and substance of all the information poses an impossible task even to classify. However, a real effort is made to teach him the sources of information he will constantly need in carrying out the varied duty assignments. Line duties do not easily break down to job description sheets. The duties are too varied to easily classify. Great flexibility is a requisite, for many are the pressures to which the Naval Officer must respond, and infinite are the specific duties to which he may be assigned.

How does the Line Officer acquire any financial training, as opposed to financial education? It is safe to say that in some instances a Line Officer will receive neither, for little formal provision is made for any. The Line Officer that does not, on his own initiative qualify himself for his financial responsibility, is scarcely a successful Line Officer nor is it likely that he has investigated the numerous other fields his choice of professions might

indicate. It is the personal initiative of the officer that is paramount, for he alone can identify and pursue the training which will help him do most perfectly a given assignment. If we assume that the neophyte Line Officer has been properly selected, given an intensive general education, and then cast loose in random fashion by the Detail Officer on fleet units, what is there to direct him along paths that culminate in sufficient financial techniques to insure his success as a Budget Officer, Comptroller, or related positions? The writer submits that it is the specific pressure of duties that make the individual preparation mandatory in financially related fields which cause understanding in this area to 'rub off'. The career of the Line Officer is a series of pitfalls, and where success is measured by avoidance of such pitfalls, it is evident that the field of strict fiscal accountability is one of the more dangerous. It is natural that the individual will tend to give such matters a high priority. It is proper to term this procedure the functional source of education. This method of education has the weakness of having resulted from inductive or inferential processes. It can well be imagined that the concept of financial fidelity of accounts could be slow in crystallizing even though our young officer sits for some time on a mess audit board. In fairness to the present program for the education of Line Officers, some mention should be made concerning the present course in Administration as taught at the General Line School in Monterey, California. This is the only short course at present which touches on fiscal responsibility. The treatment is perfunctory and covers only the elementary phases such as mess audits and Welfare funds.

The lack of specific educational and training facilities in the

comptroller's sphere have been underscored. This has been further demonstrated in interviews with several of the key senior Line Officers in comptroller billets. The comment was given in near unanimity to the effect that they, the officers holding comptrollers positions, had known very little about fiscal and related matters, and had found it necessary to spend several months in becoming oriented to their new duties. Here at a high level is evidence that it is the pressure of duty assignments that creates the qualifications discussed. This method, or lack of one, presupposed a high degree of adaptability and a generous endowment of native intelligence. It would be most unusual if the selections for comptroller billets made on such assumptions were uniformly successful.

The mission of the Navy Comptroller¹ has been clearly stated. It is couched in terms and concepts however, that require a modicum of fiscal education on the part of the reader to permit a full understanding of the implications and significance. It represents a complex task that will require a long period to fully implement. The Deputy Comptroller² of the Navy recently stated that the implementation of the entire program would of necessity, be an evolutionary process, that it represented an educational program for the entire Navy in order to provide sufficient understanding and staffing to gain adequate acceptance.

In view of the foregoing paragraph, it is necessary to underscore the Naval Post Graduate program as the immediate source of a major portion of the qualified personnel for controller type and related billets. At present approximately fifty officers are graduated annually from civilian institutions, having earned degrees in Business Administration or related fields. This

¹ NAVCOMPT INSTRUCTION 5460.1 (26 August 1952)

² Rear Admiral E. A. Solomons, U. S. Navy

important nucleus represents but a small fraction of the number needed for existing billets. Further requests by Commanding Officers of field activities for new billet authorizations has reached a high level, far exceeding the existing number of qualified personnel.

CHAPTER III

RECOMMENDED PROGRAM FOR FINANCIAL EDUCATION OF LINE OFFICERS

The need for educating the Line Officer to a good working level relative to financial matters, has been underscored. The need is recognized and is not controversial. It is recognized that extensive post graduate instruction cannot be given to all Line Officers and that some compromise must be made in the interest of maintaining a balanced educational program.

It is the basic recommendation of the writer that each Line Officer is entitled to receive broad instruction concerning all major phases of his projected responsibilities; once at undergraduate level, and once at graduate level. This is nothing more than to say that there be adequate provision in both the Naval Academy and the General Line School curriculum to apprise the student of his forthcoming financial responsibilities as a Line Officer. The undergraduate level need not be long nor complex; however, sufficient comprehensive lectures should be given as part of the Naval Academy course in Administration to cover financial responsibility in the Naval Service, the concept of controllership and basic related material. The graduate level requires a minimum course of ten hours. This recommendation has been concurred in informally by the Navy Deputy Comptroller.¹

It is Naval policy to send each Line Officer to the General Line School course after his first tour of sea duty, usually six years after commissioning. It is at this point the career Naval Officer is able to consolidate his experience and examine relevant fields under Line operating cognizance. It is pertinent that here we have the opportunity to reach a group of representative career officers in a highly formative part of their respective careers and prior to assignment to important billets. In order to

¹ Rear Admiral E. A. Solomons, U. S. Navy

exploit the opportunity to introduce to this important group an understanding of the Navy's fiscal organization and associated controls, it is necessary to have the Line School course prepared by well qualified personnel who are close to the problem and the latest developments. The development of subject matter given in the following chapter is the writer's estimate of the present needs. It is recognized that this represents largely a single opinion and should be carefully reviewed by members of the Navy Comptroller's staff and key representatives of various bureaus. It is equally important to the success of the program that only qualified instructors be utilized. This is important and frequently quoted relative to educational matters; however, in no instance could a course be more dependent upon an instructor who had the personality and background to 'sell' the subject matter in which he dealt. This would require an officer with operating experience as a controller and suitable graduate instruction.

Education within the field of finance and the associated comptroller concept begins with a clear understanding of working definitions relative to the field. The language of business is pertinent and represents a jargon not too readily acquired. In ten hours of instruction, definitive material must be carefully introduced so as not to becloud the issues. An orientation is the second step and must be done cleverly to embrace the scope of the Navy's financial problems and controls. The machinery by which the Navy receives, expends, and accounts for government monies must be clearly shown. From this beginning, it is proper to introduce some of the complex governmental relationships which involve an understanding of organization structure. A clear delineation of the 'chain of command' from the Congress to the President via

the Bureau of the Budget to the Navy Comptroller. The controller concept is becoming an integral part of government and the military. It is necessary for the Line Officer to understand the implications. The course proposed must make clear the concept of comptrollership and demonstrate to our future commanding officers that in the Navy, the controller provides exclusively a service to command. The history of the function and its growth by evolution and acceptance should be told. After the functional picture and historic perspective are made clear, the working tools of the controller should be examined. Specific background data need be introduced to clarify the scope of managerial procedures, together with the function of analysis and review belonging to the comptroller.

It is hoped that the emphasis of the recommended course is understood. Although this course is for graduate level, it does not presume to substitute for nor be a condensed version of the full comptroller curriculum. A complete study on education for comptrollership at the graduate level has been done by eminently qualified educators at a civilian institution.¹

In the Naval educational program at the General Line School there exists the problem of balancing an academic load which is approximately double that found in a regular college course. Many courses are compressed to the point where they are scarcely more than memory courses paraded by and given the 'broad brush' treatment. There exists the danger that a course in Naval Financial Policy would be de-emphasized gradually by pressure from more popular courses unless backed by an active and articulate sponsor. Lack of suitable instructors would immediately make the proposed course indigestible and insure its early demise.

¹William J. Vatter, "Education for Comptrollership", A Report to the Chief of Naval Personnel. (September, 1949)

CHAPTER IV
PROPOSED CURRICULUM

A curriculum is more than a list of subjects, no matter how detailed it may be presented. The course identified by the curriculum is for the purpose of introducing ideas and understanding in a field largely ignored despite its importance to the Navy. There exists no suitable text from which to study. It will be the function of the instructor to know the theory and fabric of the ideas involved. The presentations are recommended as lectures with suitable allowances to be made for student questions.

COURSE TITLE:

Review of Financial Management and Responsibility

Phase I. Orientation

1. Scope of Navy Financial Problems.
 - a. Support by Congressional Appropriations.
 - b. Justification of Annual Budget.
 - c. Naval Stock Funds.
 - d. Naval Industrial Funds.
 - e. Support of Field Activities by Management Bureaus.
2. Financial Responsibility of the Line Officer.
 - a. Responsibility prescribed by Navy Regulations.
 - b. Financial Control by Commanding Officers.
 - c. Shipboard Accounting; Stores, Equipage, and Funds.
 - d. Disbursing.
 - e. Welfare Funds.
 - f. Mess Funds.
 - g. Line Officer Assignments in the Financial Area.

3. Historical Highlights in Development of Fiscal Policy.
 - a. Fiscal and Appropriation Control Prior to 1921.
 - b. Budget and Accounting Act of 1921.
 - c. National Security Act of 1947.
 - d. National Security Act Amendments of 1949.
4. Economic Implications of Military Expenditures.
 - a. Review of Military Budget Relative to Gross National Product and Government Income/Outgo Ratio.
 - b. Remarks on the Effect on the Economy of Total War Effort.

Phase II. Theory of Comptrollership

1. The Scope of the Controller in Business.
2. The Navy as a Business.
 - a. Naval Organization.
 - b. Magnitude of Naval Operations.
 - c. Naval Industrial Activities.
 - d. The Navy in Research and Development.
3. The Development of the Comptroller in the Navy.
 - a. The Field of the Comptroller in the Navy. (general)
 - b. Implementation and Growth of Comptrollers in the Navy.
 - c. The Technical Working Tools for the Comptroller.

Phase III. Function and Scope of Naval Comptrollers

1. Study of the Comptroller of the Navy at SecNav Level.
 - a. Organization study.
 - b. Study of Functions in Areas of Budgeting, Auditing, Planning, Analysis and Review, and Accounting.

c. Relationship of the Comptroller's Office to the Management Engineer.

2. Description of Comptroller Duties in Various Bureaus.

3. Description of Comptroller Duties at Field Activity Levels.

Phase IV. Controllershship as a Service to Command

1. Summary of the Controllershship Development.

a. Present Status.

2. Discussion.

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